ABSOLUT RESOURCES CORP.

Annual Report 1997

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The activities of Canadian junior exploration companies in 1997, both nationally and internationally were seriously effected by the BreX event in Indonesia. Coinciding with this unfortunate situation, the prices of certain metals, such as gold, copper and nickel dropped to new lows. Monetary and economic crisis in southeast Asia added further downward pressure on share prices of exploration companies.

However, exploration interest for other commodities such as diamonds, silver, platinum and uranium increased. To this end, Absolut acquired land positions in both the northwest Alberta diamond discovery of Ashton Minerals and the silver/zinc discovery of Cross Lake Resources at Timmins, Ontario .

In Alberta, Absolut acquired an option to earn a 100% interest in 92,160 acres of highly prospective diamond claims within 50 kilometers of the Ashton diamond-bearing kimberlites. In Ontario, the Company has an option to earn a 100% interest in claims within 25 kilometers of the Cross Lake silver/zinc discovery. Geophysical surveys initiated in late 1997 will be continued in the first quarter of 1998.

Other projects, both nationally and internationally are in the evaluation stage with the expectation of programs to be initiated by mid 1998.

The Directors wish to thank the shareholders for their ongoing support and confidence in the Company.

ON BEHALF OF THE BOARD

E. A. Schiller,
Director.

March 18, 1998

MINERAL EXPLORATION PROPERTIES

Jack Pine Creek, Alberta

The Company acquired an option to earn a 100% interest in a four township exploration permit, totalling 92,160 acres in northwest Alberta, 100 kilometers northeast of Peace River. The permit is fifty kilometers west of the diamond bearing kimberlites discovered by Ashton Mining and partners in 1997. The Ashton kimberlites occur thirty kilometers northwest of Red Earth. The discovery and events leading up to the discovery precipitated the largest mineral staking rush in Alberta resulting in the acquisition of 75 million acres of permits directed solely to the search for diamonds.

Absolut's permits lie within the Archean Buffalo Hills Craton and are overlain by Paleozoic and Mesozoic sedimentary rocks. The kimberlites found to date, originating deep beneath the Buffalo Hills Craton, penetrated the sedimentary rocks and in turn are covered by unconsolidated glacial overburden ranging in thickness from a few meters to up to 100 meters on Absolut's permits. At Lac de Gras in the Northwest Territories, the kimberlites intruded outcropping Archean rocks of the Slave Craton and are covered by a thin veneer of glacial till. The kimberlites in the Northwest Territories are 55 to 60 million years old and it appears that the Alberta kimberlites are of the same age and possibly younger.

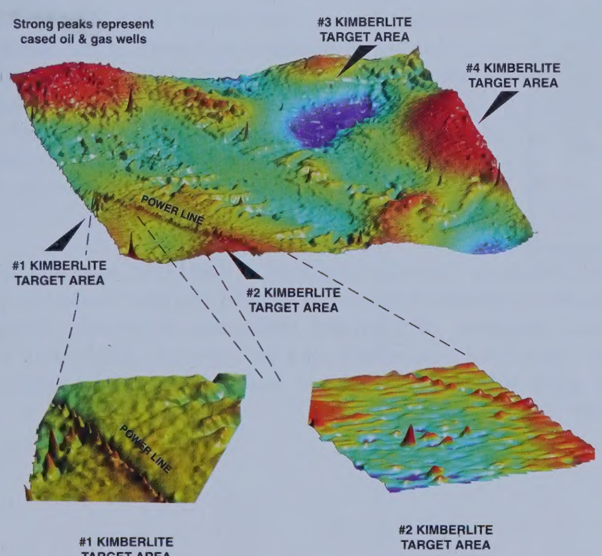
In the NWT, over one hundred and fifty kimberlites have been found, of which 90% are diamond-bearing over an area of 50,000 square kilometers. In Alberta, Ashton Minerals have found fourteen diamond-bearing kimberlites over an area of about 1,000 square kilometers. Other magnetic targets nearby extend their potential kimberlite "field" to an area of about 2,000 square kilometers. Given the same parameters, there exists the potential of finding kimberlites in Alberta over an area of up to twenty-five times the size of the Ashton discovery area. Using the Lac de Gras/Slave Craton as a model, one can conclude that the Buffalo Hills kimberlites could extend one to two hundred kilometers or possibly more from the Ashton kimberlites. As exploration continues in Alberta, many more kimberlites will be found both by Ashton and the dozens of companies who will execute systematic investigations for these illusive valuable bodies.

Lying within fifty kilometers of the Ashton kimberlites, Absolut's permits have all the geological/geophysical characteristics to contain kimberlites, however due to glacial deposits masking their presence, the search for kimberlites requires detailed magnetic geophysical studies. In 1997 airborne magnetic and test ground magnetic surveys were completed. Four high priority anomalous target areas have been identified containing two or more kimberlitic magnetic signatures per area, in addition to at least four other isolated kimberlitic signatures. Detailed helicopter magnetic surveys will be undertaken over the Western, Southwestern, Northern and Eastern Kimberlite Target Areas as well as other areas with kimberlite magnetic signatures in the first and second quarter of 1998. Drilling of defined targets will follow as soon as results are available.

Voisey's Bay, Labrador

In May of 1997, drill hole No. 97-01 was completed at 4,966 feet on the Company's 100% owned Claim Block N located to the east of Inco/Diamond Fields eastern claim boundary at Voisey's Bay, Labrador. The hole was drilled in search of the eastern extension of the Inco/Diamond Fields nickel/copper ore body but failed to intersect sulphides. Down hole EM Surveys did not indicate any sulphides within a 400 foot radius of the hole. No further drilling is planned for this Block at the present time. The results of this hole were disappointing, however, one drill hole does not eliminate the possibility of mineralized sulphides occurring on this block. Absolut continues to hold a 100% interest in 2,306 mineral claims in Voisey's Bay. Exploration work in 1998 will depend on the level of industry interest in the area.

Absolut Resources Corp. **Jack Pine Creek, Alberta**

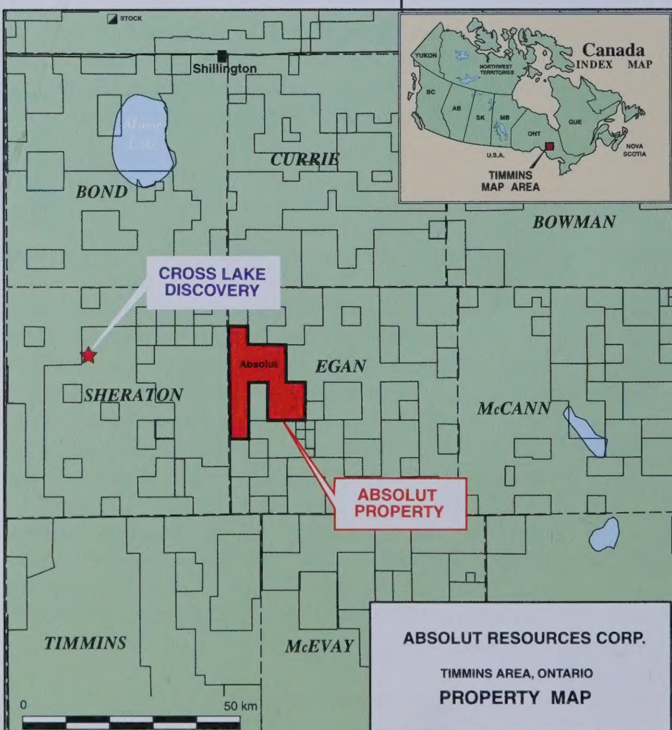


Three dimensional display of filtered TOTAL FIELD MAGNETIC DATA. (vertical exaggeration)

Sweetwater Garnet, Montana

The Company's wholly owned subsidiary, Sweetwater Industrial Minerals Inc. completed construction of mine and milling facilities on the garnet deposit east of Dillon, Montana. Due to normal start up problems both at the mine and the mill, limited production and sales were achieved in 1997. Start up of mining and production will resume in the second quarter of 1998.

Despite extensive efforts, Absolut was unable to obtain stock exchange approval for its previously announced distribution to shareholders of Common Shares of Sweetwater Industrial Minerals Inc. by way of a Special Dividend. Accordingly, Absolut will not be proceeding with this transaction and Sweetwater will remain as a wholly-owned subsidiary of the Company.



Cross Lake Area, Ontario

In December of 1997, Absolut acquired an option to earn a 100% interest in 56 claim units totalling 2,240 acres, in Egan Township, Ontario, seven kilometers east of the Cross Lake Resources zinc/silver/copper/lead discovery in Sheridan Township, thirty kilometers east of Timmins, Ontario.

Sheridan, Egan and adjoining Townships have been the focal point of a staking rush comparable to the famous staking rush of the Kidd Creek zinc/copper discovery in the 1960's. Exploration work comprising line cutting, induced polarization and magnetic surveys are underway.

HUNGARY

West Matra and Szerencs

Absolut holds exploration permits covering two areas in Hungary at West Matra and Szerencs. The areas are underlain by Tertiary volcanic rocks with extensive alteration zones consisting of intense pyritization, silification and carbonization. Exploration licenses West Matra 1 and West Matra II, located north of Budapest and south of the Slovakian border, comprise approximately 5,800 hectares (14,320 acres). Rock and soil geochemical samples identified an anomalous mercury/arsenic silica cap area three kilometers long and several hundred meters wide. Follow up geophysical surveys and trenching are scheduled for 1998.

A second area near Szerencs acquired in late 1996 covers a 26.32 square kilometer exploration license in eastern Hungary underlain by a heterogeneous sequence of tuffs and tuffaceous sediments. Previous exploration identified extensively argillic altered rock units with anomalous gold values. Geochemical and geological mapping are scheduled for 1998.

To the Shareholders of
Absolut Resources Ltd.

We have audited the consolidated balance sheets of Absolut Resources Corp. as at December 31, 1997 and 1996 and the consolidated statements of loss and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Hudson & Company, Hodgson Scott

Calgary, Canada

February 27, 1998 Chartered Accountants

ABSOLUT
RESOURCES CORP.

Consolidated Balance Sheets

December 31

		1997		1996
Assets				
Current				
Cash and short term investments	$	**100,051**	$	1,707,423
Marketable securities		**-**		8,000
Accounts receivable		**129,209**		52,256
Share subscriptions receivable (note 7)		**150,000**		951,804
Alberta royalty tax credit receivable		**873**		1,587
Inventory		**131,337**		25,985
Prepaid Deposits		**107,589**		70,156
Due from Tanqueray Resources Ltd. (note 3 (b))		**-**		140,757
		619,059		2,957,968
Deposits for reclamation costs		**203,472**		193,118
Investment in and advances to affiliated company (note 3 (c))		**95,530**		33,465
Oil and gas property and equipment (note 1)		**85,349**		85,109
Mining exploration properties (note 2)		**7,361,768**		3,972,520
	$	**8,365,178**	$	7,242,180
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**359,211**	$	291,591
Due to Tanqueray Resources Ltd (note 3 (b))		**6,335**		-
Current portion of equipment loan (note 4)		**4,460**		-
		370,006		291,591
Long term				
Equipment loan payment (note 4)		**26,322**		-
Note payable (note 5)		**363,500**		-
Debentures (note 6)		**1,106,062**		-
Deferred site restoration costs		**2,625**		2,625
		1,498,509		2,626
		1,868,515		294,216
Shareholders' Equity				
Share Capital (note 7)		**9,515,793**		8,920,350
Deficit		**(3,019,130)**		(1,972,386)
		6,496,663		6,947,964
	$	**8,365,178**	$	7,242,180

Commitments (note 11)

On behalf of The Board

E.A. Schiller, Director

E.A. Schiller

L. J. Falkenberg, Director

Linda J. Falkenberg

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

DECEMBER 31

	1997	1996
REVENUE		
Oil and gas, net of royalties	$ 24,258	$34,205
Rental and administration fees	-	7,000
Alberta royalty tax credit	873	1,587
Interest and other	302,126	218,438
	327,257	261,230
EXPENSES		
Wages and consulting fees	216,390	131,790
Mining operating costs	510,006	86,182
Travel	93,980	81,029
Licenses, permits and fees	46,801	46,534
Office	60,859	37,759
Telephone and fax	28,135	27,390
Professional fees	99,714	26,457
Marketing	76,490	-
Bad debts	250	25,545
Interest and bank charges	12,592	22,648
Insurance	27,836	20,794
Oil and gas operating costs	15,523	17,729
Rent	35,044	15,981
Wire services	1,904	1,840
Interest on note payable	32,628	-
Depletion and amortization	28,323	19,786
	1,286,475	561,464
Loss before undernoted items	959,218	300,234
Loss on abandonment and write-down of deferred mining properties	46,485	518,901
Gain on sale of marketable securities	(26,021)	(2,347)
Loss on sale of mining equipment	67,062	-
LOSS FOR THE YEAR	1,046,744	816,788
Deficit at beginning of year	1,972,386	1,155,598
DEFICIT AT END OF YEAR	$ 3,019,130	$ 1,972,386
LOSS PER SHARE	$ 0.05	$ 0.04

Consolidated Statements of Changes in Financial Position

December 31

	1997	1996
Operating		
Loss for the year	$ (1,046,744)	$ (816,788)
Add items not involving cash:		
Loss on abandonment and write-down of deferred mining properties	46,485	518,901
Depletion and amortization	28,323	19,786
Gain on sale of marketable securities	(26,021)	(2,347)
Loss on sale of mining equipment	67,062	-
	(930,895)	(280,448)
Change in non-cash operating working capital	(151,404)	(73,530)
	(1,082,299)	(353,978)
Financing		
Decrease (Increase) in share subscriptions receivable	801,804	(951,804)
Issuance of share capital	600,000	742,011
Share issue costs	(4,557)	(99,305)
Decrease in obligation to issue shares	-	(2,000)
Issuance of convertible debentures	1,106,062	-
Increase in equipment loan payable	30,782	-
Increase in note payable	363,500	-
	2,897,591	(311,098)
Investing		
Increase in deposits for reclamation costs	(10,354)	(97,898)
Purchase and exploration of mineral claims	(3,546,878)	(1,745,676)
Proceeds on sale of mining equipment	44,083	-
Additions to petroleum and natural gas properties	(9,837)	(10,662)
Proceeds on sale of marketable securities	34,021	3,095
Additions to office furniture and equipment	(18,726)	(5,327)
Increase in investments and advances to affiliated company	(62,065)	(33,465)
Due to Tanqueray Resources Ltd.	147,092	15,662
	(3,422,664)	(1,874,271)
DECREASE IN CASH AND SHORT TERM INVESTMENTS	(1,607,372)	(2,539,347)
Cash and short term investments	1,707,423	4,246,770
CASH AND SHORT TERM INVESTMENTS AT END OF YEAR	$ 100,051	$ 1,707,423

Notes to the Consolidated Financial Statements

December 31, 1997

General

The Company was incorporated under the laws of Alberta and its primary business activity is exploration for precious and base metals, industrial minerals and participation in oil and gas ventures.

The underlying value of its mineral properties and related deferred costs is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the properties.

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles on a going concern basis under which the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company is a junior exploration company and substantially funds its activities through the issuance of equity securities. The Company's operations are therefore dependent on its ability to raise funds in the capital markets.

Summary of significant accounting policies

Basis of Consolidation

The comparative consolidated financial statements include accounts of Absolut Resources Corp. and its wholly-owned subsidiary Sweetwater Industrial Mineral Inc. (see note 3 (a)).

Joint Venture Accounting

A substantial portion of the Company's exploration and production activities related to oil and gas and mining operations which are conducted jointly with others, and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Accounts Receivable

Accounts receivable are recorded net of allowances for doubtful accounts. No allowance for doubtful accounts were made for 1997 and 1996.

Inventory

Inventory, which consists of garnet stockpiles, is valued at the lower of average cost and net realizable value.

Investments in Affiliated Company

The Company's 45% interest in the affiliated company is accounted for using the equity method (see note 3 (c)).

Petroleum and Natural Gas Properties

The Company follows the successful efforts method of accounting for its oil and gas operations. Under this method, exploration expenditures including geological and geophysical expenses, lease/rentals and exploratory dry hole costs are charged to expense as incurred. Leasehold acquisition costs, including costs of drilling and equipping successful wells, together with the drilling costs incurred to earn interests in petroleum and natural gas rights, are capitalized. The net cost of abandoned wells are charged to expense in the year of abandonment.

Depletion and amortization of oil and gas properties including well development expenditures, production equipment and gas plants and gathering systems are provided on the unit-of-production method based on the estimated recoverable proven reserves of each producing property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 1997

Deferred Mining Expenditures

The cost of mineral properties and related exploration and development costs are deferred. These costs will be amortized over the estimated useful life of the properties following the commencement of production or written-off if the properties are allowed to lapse or are abandoned.

No provision has been made in the current year for depletion of producing properties as production during the year was minimal and the amount of depletion is immaterial.

Costs include the cash consideration and the fair market value of shares issued for the acquisition of mineral properties.

Office Furniture and Equipment

Office furniture and equipment is recorded at cost and amortization is provided for on a diminishing balance basis at an annual rate of 20% to 30%.

Future Site Restoration Costs - Oil and Gas Properties

The estimated costs of site restoration are based on the current cost of the anticipated method and extent of site restoration in accordance with existing legislation and industry practice, net of salvage values. The total estimated future liability is $2,625. The annual charge, provided for on unit of production basis, is accounted for as an expense and the accumulated provision as a deferred credit.

No provision was required in the current year for any additional liability.

Reclamation Costs - Mining Exploration Properties

Current expenditures relating to ongoing environmental regulatory requirements and reclamation programs are charged against operations as incurred. Estimated future reclamation costs, including site restoration are charged against earnings using the unit of production method over the estimated life of producing mines. Accrued reclamation costs are subject to a review by management on a regular basis and are revised when appropriate for changes in future estimated costs an/or regulatory requirements.

No provision has been accrued in the current year as only minimal production has occurred.

Share Capital

Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the agreement to issue the shares was entered into as determined by the Board of Directors of the Company based on the trading price of the shares on the Alberta Stock Exchange.

Flow Through Shares

Funds received from the issuance of flow through shares are to be spent on qualifying exploration expenditures. The subscribers are entitled to receive income tax deductions for the funds advanced. Deferred mining expenditures and share capital are reduced to give recognition to the income tax deductions renounced to the flow through share subscribers.

Notes to the Consolidated Financial Statements (cont.)
December 31, 1997

Foreign Exchange

Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses except depletion and amortization, are converted at average exchange rates for the period. Depletion and amortization are converted at the same rate as the related assets. Gains or losses on translation are expended except for those relating to long-term monetary items which are deferred and amortized over the remaining terms of the related items.

Loss Per Share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Fully diluted loss per share have not been disclosed as they are anti-dilative.

1. Oil and Gas Property and Equipment

	1997			1996
	Cost	**Accumulated Amortization and Depletion**	**Net**	Net
Petroleum and natural gas properties	**$ 147,602**	**$ 85,510**	**$ 62,092**	$ 72,897
Office furniture and equipment	**41,697**	**18,440**	**23,257**	12,212
	$ 189,299	**$ 103,950**	**$ 85,349**	$ 85,109

2. Mining Exploration Properties

	1997	1996
Acquisition costs	**$ 893,756**	$ 868,756
Exploration costs	**6,468,012**	3,103,764
	$ 7,361,768	$ 3,972,520
Sweetwater	**$ 4,483,068**	$ 2,057,950
Voisey's Bay	**2,052,156**	1,293,060
Little Stull	**610,260**	610,260
Jack Pine Creek	**121,534**	-
Cross Lake	**83,374**	-
Hungary	**11,374**	11,248
Minipi Lake	**1**	1
Slave Key	**1**	1
	$ 7,361,768	$ 3,972,520

The Voisey's Bay property has been reduced by $472,694 which represents future tax benefits renounced to flow through share subscribers.

Notes to the Consolidated Financial Statements (cont.)

December 31, 1997

In August, 1996, the Company entered into an option agreement with Castle Rock Explorations Corp. whereby Castle Rock has the right to earn a 51% interest in Claim Block 1, north of the Voisey's Bay discovery. In order to earn the interest, Castle Rock has issued 100,000 common shares to the Company which will be held in escrow for one year and Castle Rock must expend $500,000 on exploration over a three year period. The disposition of the Company's 51% interest in Claim Block 1 will not be recognized until conditions of the option agreement are satisfied and the escrow period on the shares has expired.

3. Related Party Transactions

a) Sweetwater Industrial Minerals Inc.

The Company's wholly owned subsidiary, Sweetwater Industrial Minerals Inc., was incorporated on April 25, 1995. Absolut Resources Corp. purchased its issued and outstanding common shares. On October 2, 1995 the Company transferred its garnet property in Sweetwater, Montana to its subsidiary at its carrying value of $297,000. As consideration, the Company received a promissory note, due on demand, bearing interest at the bank prime rate. On October 12, 1995, Sweetwater Industrial Minerals Inc.transferred the garnet property, under the same terms and conditions, to its wholly-owned U.S. subsidiary, Sweetwater Garnet Inc. On consolidation, the promissory note is eliminated and the garnet property is reflected in Note 2 of these consolidated financial statements.

b)Tanqueray Resources Ltd.

The amount due to/from Tanqueray Resources Ltd. consists of expenses paid by the Company on behalf of Tanqueray Resources Ltd. and by Tanqueray Resources on behalf of the Company and miscellaneous inter-company charges.

c) Investment in Affiliated Company

During the year the Company acquired a 45% interest in HunCan '96 Research and Engineering Company Limited ("HunCan").

HunCan was established on July 17, 1996 pursuant to a Contract of Association under the laws of Hungary. The investment at December 31, 1997 consists of the investment in shares of $16,512 and advances of $79,018.

4. Equipment Loan

	1997	1996
Loan payable at $600 per month including interest at 9.99% per annum, secured by a first charge over the equipment, maturing 2003	$ 30,782	$ -
Current Portion	4,460	-
	$ 26,322	$ -

Principal due within each of the next five years is approximately as follows:	1998	$ 4,460
	1999	4,860
	2000	5,350
	2001	5,890
	2002	6,490
	2003	3,732

Notes to the Consolidated Financial Statements (cont.)

December 31, 1997

5. Note Payable

The note payable is due on demand and bears interest at 18% per annum. The loan is secured by a charge against assets held in Sweetwater, Montana. Although the loan is due on demand the lender has agreed not to request payment in the next fiscal year and therefore the note has been disclosed as a long term liability.

6. Convertible Debentures

During the year, the Company issued convertible debentures with an aggregate total of $1,106, 062. The debentures are non-interest bearing unless the Company fails to obtain approval from the Alberta Stock Exchange to convert the debentures into share purchase units of the Company at a conversion price per unit of $0.25

Each unit will consist of one common share and one half of one share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one common share at $0.40 during the first year from date of issue and at $0.60 during the second year from date of issue.

If approval from the Alberta Stock Exchange is not received, the principal amount of the debenture together with interest at the rate of six percent per annum will be due to the debenture holder on May 1, 1998.

7. Share Capital

Authorized
Unlimited number of voting Common shares

	Number of Shares	Consideration
Issued Common Shares		
Issued for consideration of net assets transferred, being balance at May 13, 1994	11,097,909	$ 1
Issued for mineral properties	231,400	25,768
Issued for cash	1,000,000	120,000
Balance at December 31, 1994	12,329,309	145,769
Stock options exercised	870,000	130,500
Issued for mineral properties	389,025	206,120
Issued for cash	2,300,000	1,061,000
Flow through shares, net of tax benefits renounced to subscribers of $53,900	175,000	68,600
Issued pursuant to private placement net of issuance costs of $664,864	2,665,643	6,665,655
Balance at December 31, 1995	18,728,977	8,277,644
Stock options exercised	200,000	30,000
Issued for cash	195,000	179,000
Flow through shares, issued pursuant to a private placement net of issuance costs of $99,305 and tax benefits renounced to subscribers of $418,794.	1,359,720	433,706
Balance at December 31, 1996	20,483,697	8,920,350
Issued pursuant to a private placement net of issuance costs of $4,557	3,000,000	595,443
Balance at December 31, 1997	23,483,697	$9,515,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 1997

On June 15, 1995 the Company entered into an agreement to issue and sell by way of Private Placement up to 2,500,000 special warrants at $2.75 each. These special warrants were issued on October 12, 1995. Each special warrant entitles the holder thereof to acquire one common share of the Company and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $2.75 per share if exercised prior to June 15, 1996 and at a price of $3.50 per share if exercised within twelve months thereafter. An additional 165,643 special warrants were issued as part of the agent's fee. These warrants expire July 10, 1998.

On February 20, 1996, the Company reserved shares for issuance under stock option plans which allow officers, directors and employees to purchase up to 825,000 common shares at $0.98 per share, exercisable until February 20, 2001.

On December 31, 1996 the Company entered into a Private Placement Agreement whereby 1,359,720 flow-through share purchase units were issued at $0.70 per unit. Each unit entitles the holder thereof to acquire one flow-through common share of the company and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at $0.85 if exercised before December 31, 1997 and at $1.25 if exercised within twelve months thereafter. No warrants were exercised during the year.

On November 19, 1997 the Company entered into a Private Placement Agreement whereby 3,000,000 share purchase units were issued at $0.20 per unit. Each unit entitles the holder thereof to acquire one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at $0.30 if exercised prior to November 20, 1998 and at $0.40 if exercised prior to November 20, 1999. The share subscription receivable represents proceeds from this issuance received subsequent to year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 1997

8. Income Taxes

The Company has the following tax losses which may be carried forward and applied to reduce future taxable income:

Expiry Date	Amount
2001	$395,200
2002	177,800
2003	194,600
2004	16,400
	$784,000

In addition, the Company has the following balances available to be applied to reduce future taxable income:

Canadian oil and gas properties expense	$ 637,800
Canadian development expense	97,600
Canadian exploration expense	2,715,000
Foreign exploration expense	59,800
Undepreciated capital cost	50,500
	$3,560,700

The Company has not recorded any possible future tax savings which could result from the application of the above balances.

In addition, Sweetwater Garnet Inc. has available for United States tax purposes, loss carry forwards of approximately U.S. $1,300,000 which expire between 2010 and 2012 and deferred mining development costs of approximately U.S. $3.1 million which can be amortized at 10 percent per year.

9. Segmented Information

Geographic Segments	Canada	United States	Other	**Consolidated**
1997				
Revenues	$ 616,160	$ 5,980	$ -	**$ 622,140**
Inter-segment eliminations	(294,883)	-	-	**(294,883)**
	$ 321,277	$ 5,980	$ -	**$ 327,257**
Loss before depletion, amortization and other	$ (35,737)	$ (895,158)	$ -	**$ (930,895)**
Depletion and amortization	(23,832)	(4,491)	-	**(28,323)**
	(59,569)	(899,649)	$ -	**(959,218)**
Loss on abandonment and write down of deferred mining properties	(46,485)	-	-	**(46,485)**
Loss on sale of mining equipment		(67,062)		**(67,062)**
Gain on sale of marketable securities	26,021	-	-	**26,021**
LOSS FOR THE YEAR	$ (80,033)	$ (966,711)	$ -	**$ (1,046,744)**
NET IDENTIFIABLE ASSETS	$ 3,275,539	$ 4,982,735	$ 106,904	**$ 8,365,178**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 1997

9. Segmented Information (cont.)

	Canada	United States	Other	**Consolidated**
1996				
Revenues	$ 299,231	$ 31,541	$ -	**$ 330,772**
Inter-segment eliminations	(69,542)	-	-	**(69,542)**
	$ 229,689	$ 31,541	$ -	**$ 261,230**
Loss before depletion, amortization and other	$ (39,736)	$ (240,712)	$ -	**$ (280,448)**
Depletion and amortization	(19,786)	-	-	**(19,786)**
	(59,522)	(240,712)	$ -	**(300,234)**
Loss on abandonment and write down of deferred mining properties	(518,901)	-	-	**(518,901)**
Gain on sale of marketable securities	2,347	-	-	**2,347**
LOSS FOR THE YEAR	$ (576,076)	$ (240,712)	$ -	**$ (816,788)**
NET IDENTIFIABLE ASSETS	$ 4,783,686	$ 2,413,781	$ 44,713	**$ 7,242,180**

10. Financial Instruments

The financial instruments of the Company are stated at cost which represents fair market value.

11. Commitments

The Company has entered into the following agreements relating to its garnet property in Montana.

Land Lease and Mining Royalty

The Company has entered into an agreement which expires in 2007 whereby royalties will be paid to the lessors with respect to the minerals products produced and sold. This agreement has a ten (10) year renewal option.

Storage and Land Use Agreement

In September, 1996 the Company entered into a ten (10) year agreement (with a ten (10) year renewal option) at a base rental of $700 per month.

Equipment Lease

The Company rents a vehicle with future aggregate minimum lease payments over the next two years of approximately $10,525.

Corporate Information

Head Office
#1300, 505 - 3rd Street S.W.
Calgary, Alberta
T2P 3E6
Telephone: (403) 262-8635
Fax: (403) 263-9061

Bankers
Bank of Montreal
Calgary, Alberta

Auditors
Hudson & Company, Hodges Scott
Calgary, Alberta

Solicitors
Bennett Jones Verchere
Calgary, Alberta

Registrar and Transfer Agent
Montreal Trust Company of Canada
Calgary, Alberta

Stock Exchange
Alberta Stock Exchange (ALR)

United States
Standard & Poors Listed

Directors and Officers
Charles MacDonald – President
Edward A. Schiller
Linda Falkenberg

Share Capital

Shares Authorized	Unlimited
Shares issued as at 12/31/97	23,483,697

Notice of Annual General Meeting
The Annual General Meeting of the Shareholders of Absolut Resources Corp. will be held on Thursday, April 30, 1998 at 4:00 p.m. in The Boardroom of The 400 Club, 710 - 4th Avenue S.W., Calgary, Alberta.